

**MINUTES OF THE SPECIAL MEETING OF THE TRINIDAD CITY COUNCIL**  
**TUESDAY, JULY 18, 2017**

**I. CALL TO ORDER**

- Mayor Miller called the meeting to order at 6:00PM. Council members in attendance: West, Ladwig, Miller, Baker, Rotwein.
- City Staff in attendance: City Manager Dan Berman, City Clerk Gabriel Adams.

**II. PLEDGE OF ALLEGIANCE**

**III. APPROVAL OF AGENDA**

*Motion (Rotwein/Baker) to approve the agenda as amended, adding "Request for Future Agenda Items" at the end of the agenda. **Passed unanimously.***

**IV. ITEMS FROM THE FLOOR – *No items from the floor.***

**V. CONSENT AGENDA**

1. Financial Status Reports for May 2017.
2. Staff Activities Report for July 2017.

*Rotwein did not receive a copy of the staff activities report, and asked that approval be postponed to the next meeting when it should be resubmitted for consideration.*

*Motion (Rotwein/Baker) to approve the consent agenda as amended. **Passed unanimously.***

**VI. DISCUSSION/ACTION AGENDA:**

1. Discussion/Decision regarding Resolution 2017-10; Establishing a Fiscal Reserve Policy for the City of Trinidad

City Manager Berman explained that reserves are a critical part of how cities plan for and respond to fiscal challenges, infrastructure replacement, and cash flow management. The proposed Reserve Policy will help formalize the City's approach towards establishing and utilizing Reserve funds. The policy sets a target of maintaining combined General Fund Reserves of 50% of the annual GF operating budget for emergencies and budget stabilization. It also creates a framework for Capital Asset and Special Project Reserves. The details of those Capital Asset Reserves will be developed in conjunction with the completion of a Capital Improvement Plan this year. This proposed Policy will be adopted by Resolution, and as such can be revised at the Council's discretion going forward.

The City currently has significant 'undesignated' General Fund and Water Fund balances. The City has some established Reserve Funds, but has not formally designated most of our available fund balances to those Funds. The proposed Reserves Policy will help formalize the City's approach towards establishing, funding, and utilizing reserves.

**Appropriate Reserve Fund Targets:** An important part of the Reserves Policy involves setting the appropriate Fund target levels. General guidance for California Cities, and surveys of City Reserve Policies suggest that an overall General Fund Reserve of 20% of annual operating budget is considered a healthy reserve. Cities vary widely, and some CA cities have designated General Fund Reserve targets of up to 100% of annual GF operating budgets.

The attached Resolution reflects staff's recommendation for a primary General Fund Reserves target of 50% of the annual General Fund operating budget (45% for Emergency Reserves and 15% for Budget Stabilization Reserves). This target is based on the following reasoning:

**Risks relative to our size:** A 20% reserve target results in a large absolute number for most Cities – many millions or tens of millions of dollars. But Trinidad is so small that 20% of our annual GF budget is only \$120,000. A single landslide, lawsuit, or unexpected infrastructure expense could easily exceed that value. The City has approached insolvency over legal costs in the past, and currently faces a landslide threatening Edwards St. and the Memorial Lighthouse with potential costs of many hundreds of thousands of dollars.

**Dependence on variable revenue linked to larger economy:** Our two largest General Fund revenue sources are Sales tax and TOT. Together they have comprised two thirds of General Fund revenue in recent years. Both sources are closely linked to larger current economic conditions, and could decline significantly in a serious economic downturn. The non-renewal of the Cell Tower lease and the potential loss of property tax, TOT, and sales tax from the Trinidad Harbor Area are current examples of upcoming impacts to City revenues.

**Capital Assets and Special Projects:** In addition to reserves intended to weather financial crises, this Policy establishes a framework for designating General Fund Capital Asset and Special Project Reserves to plan and save for the replacement and repair of City infrastructure. A Capital Improvement Plan will be developed this year and will play a significant role in developing more detailed Capital Reserve plans for both our Water Fund and General Fund.

**Flexibility:** The proposed Reserve Policy includes regular review by the Council, and can be revised or amended by Resolution at the Council's discretion.

**Fiscal Impact:** There is no direct expense related to this Policy. The impact on the City's financial statements would be as follows:

Undesignated GF balance as of the last audit report:	\$1,276,000
Emergency Reserve Fund Target:	\$214,000
Budget Stabilization Reserve Target:	\$92,000
Capital Asset and Special Project Reserves (minimum)	\$312,000
Remaining Undesignated balance:	\$658,000

The proposed Policy proposes dividing remaining undesignated general fund reserve balance equally between the Capital Reserve and the Budget Stabilization reserve. This would result in final Reserve Fund balances as follows:

Emergency Reserve Fund:	\$214,000 (at target)
Budget Stabilization Reserve Target:	\$421,000 (92K target+329K surplus)
Capital Asset and Special Project Reserves	\$641,000 (312K target+329K surplus)

Staff will return to Council with a more detailed breakdown of the Capital Asset and Special Project Reserves as the Capital Improvement Plan is completed. Staff expects this will result in proposals to shift surplus funds from the Budget Stabilization Reserve towards specific assets and projects in the Capital Reserve.

Public comment included:

**Victoria Sackville** – Trinidad

Priority needs to be made for the Water Treatment facility.

Council comments included:

**Baker:** Requested clarification on committed, assigned, and unassigned categories.

**Miller:** Clarified that the policy has been adopted by other cities.

**Ladwig:** I'd like to see a policy to handle excesses. If we reach our goals and are sitting on money, we should either spend the money or reduce taxes. Could we set aside 1.5 years reserve? Let's save for a really rainy day.

**Rotwein:** Very happy to have this on the agenda. Suggested that the amounts be increased to 75% of the General Fund operating budget.

City Manager Berman explained that we could increase the amounts as proposed to 75%, as follows;

- **Emergency reserve fund** established with a funding target set at 75% of the current year GF operating expenditures.
- **Budget Stabilization reserve fund** established with a funding target set at 75% of the current year GF operating expenditures.
- **Capital and Special Project Reserves** target set at a minimum of 50% of the current year GF operating expenditures, with specific targets for individual projects or assets to be adjusted in accordance with the current Council approved Capital Improvement Plan.
- **Water Fund Reserve** target set at a minimum of 50% of the current Water Fund operating expenditures, managed in coordination with the City's current Capital Improvement Plan.

*Motion (Ladwig/Rotwein) to amend the proposed Resolution to include the increased amounts and bring it back to the July 26 meeting for final approval. **Passed unanimously.***

2. Continued Discussion/Decision regarding Resolution 2017-09; Adopting the 2017-2018 Fiscal Year Budget. City Manager Berman explained that the proposed FY 2017-18 City of Trinidad budget is hereby submitted to the Council for adoption. The budget has been discussed at three prior Council meetings this spring. A brief summary of City Program Areas is included below.

#### **General Fund Administration (1.6 FTE)**

This budget unit funds pro-rated employee salaries, liability, property and casualty insurance, contracted planner, building official, attorney, financial contractor, bookkeeper, auditor, lease of city annex and new library, utility costs, distribution of transient occupancy taxes (TOT), and office supplies

• Planner activities budgeted as follows*	
General Plan/LCP	\$ 15,000
STR Ordinance	4,000
Planning Commission	7,000
Permits (offset by revenue)	net zero
Enforcement	4,000
Stormwater permit issues	1,000
Miscellaneous, general planning	12,000
OWTS Permits	<u>5,000</u>
	<b>\$48,000</b>

\*excludes separately funded OWTS Grant and LCP Grant

- Attorney costs are estimated at \$20,000, which includes \$10,000 toward defense of litigation.
- Building Official \$6,000 plus reimbursable permit process fees.
- Distribution of 12% of prior year TOT receipts (~\$16,800)

#### **General Fund Law Enforcement (.13 FTE - counting City staff time only)**

- Contract costs with the Sheriff are up 8%, or \$12,000 for one deputy.
- \$75,000 in Measure Z funds will be used to go from one (1) to 1.5 full time Deputy Sheriffs. This will move us from having an assigned deputy 4 days a week to six days a week, and this second Deputy will be specifically assigned to Trinidad for two days a week, as opposed to coverage from different people each week. *This is a tentative plan with the Sheriff's Office, depending on their staffing level.*
- This additional deputy will replace the extra eight-hour shift per week that we have been funding. If the second deputy is not available, we will fund 2-3 extra shifts per week with the Measure Z funds.
- \$100,000 is anticipated to be funded by Community Oriented Policing Services (COPS) revenue, as has been the case over the last several years.

#### **General Fund Fire**

- The City is proceeding with the Fire House Expansion project utilizing General Fund Reserves as approved in June 2017.

**General Fund Public Works (1.03 FTE)**

Budget includes pro-rated staffing costs, town hall, annex and library supplies, street paint, signs, trail and park maintenance. Specific Projects include:

Water level monitoring Equipment*	\$ 8,000
Town Hall Maintenance work	\$ 5,000
Capital Improvement Plan**	\$ 1,000
OWTS Permitting (costs are in staff time)	
Trail Maintenance	\$3,500

\* to track groundwater levels associated with the Stormwater Projects. Staff plan to rent this equipment back against the various stormwater grants underway, which should pay for it over the next 3-5 years

\*\*primarily funded out of, and focused on, the Water Fund this year.

Implementation of the OWTS Permit system across the City is a priority project this year. The costs are in Planning and City staff, as Trever, Becky and Sandra will be making a team effort to get permits out throughout the City.

**Integrated Waste Management (.28 FTE)**

This Budget includes pro-rated staffing costs, franchise revenue and AB939 pass through from Humboldt Waste Management Authority.

Revenue:	\$ 16,500
Expenditures:	\$ 21,571
Difference (from fund balance)	\$ (5,071)

The difference of \$5,071 can be absorbed from the remaining IWM fund balance of \$11,000. The auditor recommends incorporating this into the General Fund once the fund balance is depleted.

**Cemetery (.35FTE)**

Budget includes pro-rated staffing costs and plot sales.

Revenues:	\$ 9,500
Expenditures:	\$ 26,000
Difference (from reserve)	\$ 16,500

Cash assets in this fund are approximately \$90,000, and will cover this deficit. The cemetery fund is steadily declining. The auditor recommends that the City plan for the General Fund to absorb cemetery maintenance costs in the long run.

**Water Fund (2.05 FTE)**

The City's Water Enterprise Fund is doing well. We have completed major improvements to the Water Treatment Plant in recent years. This budget includes:

- Setting \$20,000 aside for reserves
- Budgeting for Water Line repairs.
- Completion of the flow monitoring system (underway currently)
- Development of a Capital Improvement Plan to help identify and prioritize capital investment needs.

**Public comment included:**

**Dorothy Cox** – Trinidad

Everyone deserves a raise, but the City can't afford it. Why isn't the Ocean Avenue project not budgeted? I'm willing to volunteer to do some of the work to save the City some money.

**Council comments included:**

**West:** How hard would it be to find replacement staff at the current salary rates?

**Rotwein:** Staff is a valuable asset. We need a salary study and revised job descriptions within 60 days. Staff deserves this. Longevity is important. After the last meeting I reviewed the Employee Handbook. Salary increases are spelled out in the handbook – based on merit at the hiring anniversary date. I’m willing to allocate \$3400 to salary increases at the manager’s discretion, based on evaluations. I’m also willing to take on the assignment of completing a salary study by October 01.

City Manager Berman explained his proposal for discretionary expenditures:

- No changes to the allocation of occupancy tax funds to local groups. Evaluate going forward, perhaps next year make revisions.
- Increase wages 2% COLA (tabled for further discussion/analysis).
- Water Plant employees get \$1000 bonus for increased certifications.

**West:** Unfair to put off employee raise discussion. **Berman** explained that Staff welcomes the wage analysis.

*Motion (Rotwein/West) to approve Resolution 2017-09 approving the 2018 Budget, with the exception of \$6800 designated for salary increases. A revised salary schedule and wage study will be prioritized and any increases will be distributed through the merit process consistent with the current employee handbook.*

**Passed unanimously.**

**FUTURE AGENDA ITEMS:**

- Ocean Avenue Traffic Flow & Striping Evaluation
- Van Wyck Trail Update
- STR Ordinance Update
- Closed Session for City Manager Review
- GHD Construction Update
- Ocean Avenue Right-of-Way project
- Reserve Policy (Consent item)

**XII. ADJOURNMENT**

Meeting ended at 9:10 pm.

**Submitted by:**

**Approved by:**

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**Gabriel Adams**  
City Clerk

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**Dwight Miller**  
Mayor